

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date: OCT 12 1990

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for tax-exempt under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on [REDACTED] under Section [REDACTED] of the Not-For-Profit Corporation Law of the State of [REDACTED].

Your stated purposes in pertinent part are:

To receive and administer funds for scientific, educational, and charitable purposes within the meaning of Section 501(c)(3).

The information submitted with your 1023 application indicates that the only activity of the organization is to sponsor an annual Golf tournament for fundraising purposes.

Your sources of income are limited to Golf entry fees, Tee sponsorships, and sales of Raffle tickets.

Disbursements will be made for expenses related to the Golf tournament, Raffle prizes, and the excess will be used for the benefit of the [REDACTED].

Assistance to the family of [REDACTED], who died of liver cancer on [REDACTED], includes payment of medical bills, mortgage payments and other personal bills. Additionally, funds will be used to provide Scholarships to the [REDACTED] children for future educational needs.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

In order to qualify under IRC 501(c)(3), an organization must be both "organized" and "operated" exclusively for one or more purposes specified in that section. If the organization fails to meet either the organizational test or the operational test, it is not exempt. (Regs. 1.501(c)(3)-1(a)(1)). The organizational test relates to the rules for governing an organization and the purposes stated in its articles of organization. The operational test relates to the organization's activities.

Section 1.501(c)(3)-1(c)(i) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that an organization is not organized or operated exclusively for one or more of the purposes mentioned in section 501(c)(3) of the Code unless it serves a public rather than a private interest. An organization may not be exempt if it is operated for the benefit of private individuals.

Section 1.501(c)(3)-1(d)(2) of the Regulations provides that the term "charitable" includes relief of the poor and distressed, advancement of education and science and the promotion of social welfare designed to accomplish any of the above purposes.

The [REDACTED] family as defined in 501(c)(3) is not a charitable class, but a group of private individuals.

Rev. Rul. 67-367 1967-2 C.B. 158 states in part, that scholarships grants made to pre-selected individuals precludes exemption under section 501(c)(3) of the Internal Revenue Code.

Similarly, your organization will award scholarship grants to the [REDACTED] children, a pre-selected group of individuals.

In light of the above we hold that you are not entitled to exemption under section 501(c)(3) of the Code because you are organized and operated to serve the private interests of the [REDACTED] family.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination, you may protest in accordance with the enclosed instructions within 30 days.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

This supercedes our letter dated August 17, 1990.

Sincerely yours,

A solid black rectangular box used to redact the signature of the District Director.

District Director

Enclosure: Publication 892

Internal Revenue Service
District Director

Department of the Treasury

Post Office Box 1680, GPO
Brooklyn, NY 11202

Date AUG 17 1990

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The evidence disclosed that you were incorporated on [REDACTED] under section [REDACTED] of the Not-for-Profit Corporation Laws of the State of [REDACTED].

Your stated purposes in pertinent part are:

To receive and administer funds for scientific, educational, and charitable purposes within the meaning of Section 501(c)(3).

The information submitted with your 1023 application indicates that the only activity of the organization is to sponsor an annual Golf tournament for fundraising purposes.

Your sources of income are limited to Golf entry fees, Tee sponsorships, and sales of Raffle tickets.

Disbursements will be made for expenses related to the Golf tournament, Raffle prizes, and the excess will be used for the benefit of the [REDACTED] family.

Assistance to the family of [REDACTED], who died of liver cancer on [REDACTED], includes payment of medical bills, mortgage payments and other personal bills. Additionally, funds will be used to provide Scholarships to the [REDACTED] children for future educational needs.

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If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,



District Director

Enclosure: Publication 892